





CITY OF HOUSTON

ADMINISTRATIVE PROCEDURE

SUBJECT	A. P. No.
	2-22
PERFORMANCE PAY ZONE (PPZ) PROGRAM	Effective Date UPON APPROVAL
1.0 PURPOSE	
<p>1.1 To empower department heads to manage productivity by leveraging employee performance through incentives for individual and/or team achievement.</p> <p>1.2 To establish an incentive pay program that recognizes employee performance, rewards contributions to each department's goals and objectives, establishes a mechanism to decrease pay for deficient or deteriorating performance and provides incentive for future performance and improved productivity.</p>	
2.0 OBJECTIVE	
<p>2.1 To provide guidance for identifying performance that merits further recognition and action by the department, either positive or negative.</p> <p>2.2 To establish guidelines within certain parameters for the award of performance based salary and other incentives to encourage top performance.</p> <p>2.3 To structure a consistent procedure to encourage sufficient improvement in a less than acceptably performing employee to an acceptable productivity level by systemic financial disincentives and to allow for the expeditious discharge of an employee who cannot perform consistently at an acceptable level after reasonable opportunity to improve.</p> <p>2.4 To institute fiscal priorities that allow each department to permanently budget sufficient funding to ensure the success of this performance based incentives program and deter or discourage the tendency to eliminate such incentives due to lack of permanent funding or yearly or cyclical budgetary constraints.</p>	
3.0 POLICY	
<p>3.1 The focus of this program is pay for performance and results. The intended result of this program is for employees to commit to continuous improvement in their knowledge and skills in order to focus on teamwork and results. Variable pay will be based on the ability of the department to succeed at its defined goals, partly due to teamwork and partly due to individual performance.</p>	
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3.2 Employees should be given resources, training, opportunity, and direction. If a municipal employee performs within an established incentive zone, the performance incentive that should be paid should reflect the contribution that employee made to the success of the department/division in achieving its goals and obtaining results as defined by the department.

3.3 Individual and team performances both need to be rewarded and recognized with performance based salary incentives being meaningful and more than minimal raises or cost of living adjustments. A recognition program should include many other incentives as well including recognition, awards or gifts for a job well done.

4.0 SCOPE

4.1 This program is directed to all departments and all municipal employees of the City of Houston.

5.0 DEFINITIONS

5.1 Municipal or employee - All persons employed by the City of Houston in every capacity and at all levels including executive, appointed, part time, temporary and probationary employees. The term "municipal" or "employee" herein excludes any employees subject to Chapter 143 of the Texas Local Government Code and those subject to or who receive compensation pursuant to a meet and confer agreement.

5.2 Performance Incentive Zone - A zone ranging from 10% below to 20% above an employee's base bi-weekly pay as determined by the department head. The portion of the zone above the current pay level provides a tool to recognize and reward positive achievement based on performance with salary incentive increases and the lower zone available to address performance that is deficient through pay reductions.

6.0 PROCEDURES

6.1 Upon the demonstration of sustained performance that contributes to the execution of organization, department, division, branch or unit team or individual goals and objectives, a department head may authorize a salary incentive adjustment of up to 20% of the employee's base pay, not to exceed the maximum of the pay grade.

6.1.1 The percent may vary from year to year based upon the overall intention of the department head to encourage participation through incentives and based upon the department's ability to maintain funding for such incentive pay.

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- 6.1.2 The percent may vary from employee to employee, depending on the magnitude of contribution and available funding.
- 6.1.3 The decision to adjust an employee's pay is at the discretion of the Department head, within the guidelines of this Administrative Procedure.
- 6.1.4 An employee's pay may not be adjusted within less than 12 months of a previous adjustment, except under extremely unusual circumstances approved by the Mayor or his/her designee.
- 6.2 Adjustments may be based on any one or more of the following:
 - 6.2.1 Performance factors including but not limited to Employee Performance Evaluations ("EPEs"), key performance areas, critical success factors, key contributions, productivity, ingenuity or creativity that results in major savings or other positive results.
 - 6.2.2 The permanent assignment of significant additional responsibilities sufficient to justify recognition and additional compensation within a classification.
 - 6.2.3 The consistent exercise of performance competencies that directly and/or indirectly facilitate the achievement of goals and objectives, such as teamwork, critical thinking, and innovation.
 - 6.2.4 The temporary assignment of acting responsibilities that will continue from a minimum of 30 days.
 - 6.2.5 Other qualitative and quantitative indicators of major importance to the performance of the employee's job and the achievement of the department's goals and objectives.
- 6.3 Upon the demonstration of sustained performance that detracts from the execution of organization, department, division, branch or unit goals and objectives or documented, significant deterioration in performance over a period of time (no less than 120 days), a department head may authorize a salary reduction of up to 10% of base pay, not to result in pay below the minimum wage or the minimum of the assigned pay grade.
 - 6.3.1 Two consecutive reductions in pay instituted under this provision within a 24-month period may be considered grounds for demotion or indefinite suspension/termination.
 - 6.3.1.1 Reductions in pay based on other circumstances shall not be included in the two required for demotion or indefinite suspension.

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6.3.1.2 Recommendations for indefinite suspension/termination for two or more consecutive below standard EPEs are separate and independent considerations although the facts may overlap, each action is independent of the other and shall not be related to the reductions in pay or the demotion/indefinite suspension authorized by this provision.

6.4 Reductions may be based on one or more of the following if they occur over a significant period of time of no less than 120 days:

6.4.1 Documented deterioration in performance.

6.4.2 Significant, recurring errors.

6.4.3 The consistent exercise of behaviors that compromise, limit, prevent, inhibit, or obstruct the achievement of organization, department, division, branch or unit goals and objectives.

6.4.4 Performance factors as reflected in EPEs.

6.5 Reductions in pay for disciplinary purposes are not intended to replace the use of either the progressive disciplinary or superior performance processes.

6.6 At the conclusion of an acting placement or reassignment following a temporary assignment or placement into an acting position that involved a commensurate pay increase, an employee's pay may be reduced to its original level before the temporary placement or reassignment, or reduced to any other level that may be appropriate under the circumstances. Any such reduction is not considered a disciplinary action and is not appealable to the Civil Service Commission.

6.7 To implement a pay change under this Administrative Procedure, a department head should prepare a memorandum of justification from the department head to the Mayor along with a duly executed HR Form 201 and forward the package to the Human Resources Director for processing. The effective date should be included in the memorandum or Form 201 and may only be prospective to any date in the future.

6.8 Salary increases administered under this Administrative Procedure should be intended as ongoing and permanent increases (unless other circumstances or disciplinary actions intervene).

6.9 A salary reduced under this provision due to poor performance may be restored to any amount, up to and including the original rate (before the reduction) upon sustained demonstration of satisfactory performance over a reasonable period of time, as determined by the department head. Ordinarily, a reasonable period of time would be at least 120 days, but could be longer as deemed appropriate by the department head.

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7.0 RESPONSIBILITIES

- 7.1 The department head is responsible for ensuring that:
- 7.1.1 The incentive reward for performance awarded to any employee is of sufficient import to deserve additional compensation.
 - 7.1.2 The incentive reward comports with standards of fairness (no adverse or disparate impact) according to guidelines promulgated by the Equal Employment Opportunity Commission ("EEOC").
 - 7.1.3 Current and future budgets can accommodate the increase.
 - 7.1.4 The proposed salary falls within the pay grade minimum and maximum.
 - 7.1.5 Potential inequity and/or salary compression problems are taken into consideration prior to the administration of salary changes under this program.
- 7.2 The Mayor is responsible and has sole authority for
- 7.2.1 Establishing the upper and lower limits of the performance zone and may revise the zone at any time.
 - 7.2.2 Designating the budgetary fund balance(s) from which incentive compensation will be paid in the annual budget.
- 7.3 Employees are responsible for:
- 7.3.1 Assisting with establishing goals and objectives for the department, division, unit, branch or organization and the resulting compensation.
 - 7.3.2 Participating in and establishing team and individual goals and objectives as well as identifying the individual contribution the employee will make to the overall success of the department, division, unit, branch or organization.
 - 7.3.3 Knowing the goals and objectives of his/her department, division, unit, branch or organization and monitoring his/her performance to meet the goals and objectives.
 - 7.3.4 Committing to continuous improvement in their knowledge, skills and performance.
 - 7.3.5 Focusing on teamwork, his/her individual performance and results.

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8.0 LEGAL REFERENCE

8.1 Any Executive Order in conflict with this Administrative Procedure shall be revised, modified, superceded or rescinded to resolve the conflict in favor of the specific terms of this Administrative Procedure only.

8.1.1 Pursuant to Section 8.1 above, Executive Order 1-36 entitled "Special Pay for F & A Budget Analysts" is superceded to the extent that any qualifying employee may receive either the additional special pay authorized by Executive Order 1-36 or the Performance Incentive Award under this program, whichever is greater, but not both.

9.0 COMPLIANCE

9.1 All municipal employees through the department/division director shall comply with this Administrative Procedure from the effective date forward.

9.2 Any questions as to the provisions of this Administrative Procedure and the interpretation of it should be directed to the Director of Human Resources who shall be responsible for resolving any disputes and/or ensure compliance with this Administrative Procedure.

9.3 Any policy exceptions and/or violations shall be brought to the attention of the Director of Human Resources for review and recommendation of a course of action or resolution.

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